



STATE BOARD OF EQUALIZATION

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Second District, Sacramento

RAMON J. HIRSIG
Executive Director

September 3, 2010

Dear Interested Party:

Enclosed are the Agenda, Issue Paper, and Revenue Estimate for the September 15, 2010 Business Taxes Committee meeting. This meeting will address the proposed amendments to Regulation 1506, *Miscellaneous Service Enterprises*.

Action 1 on the Agenda concerns whether Regulation 1506 should be revised to clarify when camps' sales of meals are nontaxable sales of meals to students.

If you are interested in other topics to be considered by the Business Taxes Committee, you may refer to the "Business Taxes Committee" page on the Board's Internet web site (<http://www.boe.ca.gov/meetings/btcommittee.htm>) for copies of Committee discussion or issue papers, minutes, a procedures manual, and a materials preparation and review schedule arranged according to subject matter and meeting date.

Thank you for your input on these issues and I look forward to seeing you at the Business Taxes Committee meeting at **9:30 a.m. on September 15, 2010** in Room 121 at the address shown above.

Sincerely,

Randie L. Henry, Deputy Director
Sales and Use Tax Department

RLH: llw

Enclosures

cc: (all with enclosures)

Honorable Betty T. Yee, Chairwoman, First District (MIC 71)

Honorable Jerome E. Horton, Vice Chair, Fourth District

Honorable Michelle Steel, Member, Third District

Honorable John Chiang, State Controller, c/o Ms. Marcy Jo Mandel (via e-mail)

Ms. Barbara Alby, Acting Member, Second District, (MIC 78)

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via e-mail:

Mr. Alan LoFaso, Board Member's Office, First District
Mr. Gary Qualset, Board Member's Office, First District
Ms. Mengjun He, Board Member's Office, First District
Mr. Doug Anderson, Board Member's Office Fourth District
Mr. Lee Williams, Board Member's Office, Second District
Mr. Ken Maddox, Board Member's Office, Third District
Mr. Neil Shah, Board Member's Office, Third District
Ms. Elizabeth Maeng, Board Member's Office, Third District
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Mr. Ramon J. Hirsig
Ms. Kristine Cazadd
Mr. Jeff Vest
Mr. Randy Ferris
Mr. Bradley Heller
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Mr. Timothy Treichelt
Mr. Robert Tucker
Mr. Cary Huxsoll
Mr. Todd Gilman
Ms. Laureen Simpson
Mr. Robert Ingenito Jr.
Ms. Freda Orendt
Mr. Stephen Rudd
Mr. Kevin Hanks
Mr. Jeff McGuire
Mr. James Kuhl
Mr. Geoffrey E. Lyle
Ms. Leila Hellmuth
Ms. Lynn Whitaker
Ms. Cecilia Watkins

AGENDA — September 15, 2010 Business Taxes Committee Meeting
Proposed regulatory changes regarding sales of meals at summer camps

Action 1 — Proposed Revisions to Regulation 1506, <i>Miscellaneous Service Enterprises</i>	
Issue Paper Alternative 1 – Staff Recommendation Agenda, page 2	Approve and authorize publication of proposed revisions to Regulation 1506(h).
	OR
Issue Paper Alternative 2 – Do not amend Regulation 1506	Do not approve proposed revisions.

AGENDA — September 15, 2010 Business Taxes Committee Meeting

Proposed regulatory changes regarding sales of meals at summer camps

<p>Action 1 — Proposed Revisions to Regulation 1506(h)</p>	<p>(h) <u>SUMMER ORGANIZED CAMPS.</u></p> <p><u>(1) CAMPS IN GENERAL.</u> The tax applies to gross receipts from the sale of meals or other tangible personal property at summer camps, whether operated by municipal or private corporations, or other parties.</p> <p><u>(2) CAMPS QUALIFYING AS SCHOOLS OR EDUCATIONAL INSTITUTIONS.</u> When a camp qualifies as a school or educational institution, tax, with respect to meals, applies in the same manner as to schools and educational institutions the camp's sales of student meals are not subject to tax. <u>If a camp meets all of the following conditions, the camp will qualify as a school or educational facility for purposes of this regulation:</u></p> <p><u>(A) The camp conducts regularly scheduled classes,</u></p> <p><u>(B) Students are required to attend the classes,</u></p> <p><u>(C) Qualified instructors are in charge of the classes, and</u></p> <p><u>(D) The camp is an "organized camp" as defined in California Health and Safety Code section 18897.</u></p> <p>To qualify as a school or educational institution for purposes of this regulation, the camp must conduct regularly scheduled classes, with required attendance, in charge of qualified instructors.</p> <p><u>An example of a camp that qualifies as a school or education institution includes, but is not limited to the following: A camp offers a session where campers have a schedule of daily activities they are required to attend. These activities include team-building exercises, guided nature hikes, and wilderness survival techniques. The activities are led by staff that the camp determined to have sufficient training and experience to lead the activities.</u></p> <p><u>An example of a camp that does not qualify as a school or educational institution includes, but is not limited to the following: A camp offers a session that includes activities that are regularly scheduled. Participants are required to attend a camp orientation on the first day, but during the rest of the camp they can attend as many of the scheduled activities as they want, or they can elect to attend no activities.</u></p> <p>If a single charge is made for all of the privileges extended by the camp, a segregation must be made and the tax returned on that portion of the total charge representing taxable receipts from the sale of meals or other tangible personal property. In the absence of such a segregation, the taxable receipts from the sale of meals or other tangible personal property shall be determined by the board based on information available to it.</p>
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Issue Paper Number **10-008**

- ☐ Board Meeting
- ☒ Business Taxes Committee
- ☐ Customer Services and
Administrative Efficiency
Committee
- ☐ Legislative Committee
- ☐ Property Tax Committee
- ☐ Other

Proposed regulatory changes regarding sales of meals at summer camps

I. Issue

Should Regulation 1506, *Miscellaneous Service Enterprises*, be revised to clarify when camps' sales of meals are nontaxable sales of student meals?

II. Alternative 1 - Staff Recommendation

Staff recommends the Board approve and authorize publication of proposed revisions to Regulation 1506, *Miscellaneous Service Enterprises*, as provided in Exhibit 2. Staff recommends amending subdivision (h) to add that, in order to qualify as a school or educational institution, a camp must also be an "organized camp" as defined in California Health and Safety Code section 18897. The proposed revisions also update the title of subdivision (h) from "Summer Camps" to "Organized Camps" and provide examples describing camps that meet and do not meet the subdivision (h) requirements for exemption.

Staff's proposed revisions to Regulation 1506 are supported by Catherine Barankin, California Alliance of YMCAs, Roger Williams, Sierra Pacific Section Christian Camp and Conference Association, and Rick Benfield and Michele Branconier from the American Camp Association, Southern California/Hawaii (see Exhibit 5).

III. Other Alternative Considered

Do not amend Regulation 1506.

IV. Background

Exemption for sales of meals to students. Revenue and Taxation Code section 6363 provides a sales and use tax exemption for meals served or furnished to students of a school by public or private schools, school districts, or student organizations. Regulation 1506, subdivision (h) *Summer Camps*, currently explains that camps qualify as schools or educational institutions if the camps “conduct regularly scheduled classes, with required attendance, in charge of qualified instructors.”

On February 24, 2010, the Board of Equalization (Board) heard a sales and use tax appeals case regarding the sales of meals at a Young Life camp facility. At issue was whether sales of meals to campers qualified for exemption from tax as student meals under the provisions of Regulation 1506, subdivision (h). The petitioner explained that while classes are not held in a classroom, the camp conducts an educational program with scheduled activities including religious, leadership, and life skills training. Campers are required to attend scheduled activities which are taught by qualified instructors. Accordingly, the petitioner argued that the camp met the requirements for exemption as provided in Regulation 1506, subdivision (h). The Board agreed with the petitioner and instructed staff to amend Regulation 1506 to clarify the regulation.

Staff met with interested parties on May 19, 2010, and July 7, 2010, to discuss the proposed revisions to Regulation 1506. Staff also had the opportunity in July to visit an organized camp to gain a better understanding of how camps operate. The issue is scheduled for discussion at the September 15, 2010, meeting of the Business Taxes Committee.

V. Discussion

What is a “camp”? Staff believes the provisions of Regulation 1506 are intended for organized camps similar to those operated by the Young Life organization. That is, “camp” refers to camp organizations that run traditional camp programs, and not to resorts or other hotel and lodging establishments. Staff further believes that Regulation 1506 was not intended to apply to businesses that provide all inclusive outdoor recreation packages outside a traditional camp. For example, an outdoor adventure company that offers rock climbing packages at various state parks for an all inclusive price (lodging, meals, climbing gear, and instruction) is not a traditional camp.

Based on discussions with interested parties, traditional camps such as those operated by the YMCA, YWCA, Girl Scouts, and Boy Scouts meet the definition of an “organized camp” as provided in section 18897 of the California Health and Safety Code.¹ Camps accredited by, or affiliated with, the American Camp Association and camps that are approved members of the Christian Camp and Conference Association also meet this definition. Furthermore, the statutory definition of an “organized camp” expressly excludes a wide variety of businesses that are not traditional camp organizations, such as tourist camps, trailer parks, resorts, hunting camps, and childcare institutions. Therefore, to focus upon the intended traditional camps, staff proposes amending Regulation 1506 to clarify that, for purposes of the regulation, a camp must be an “organized camp” as defined in California Health and Safety Code section 18897 (see Exhibit 2 and 3) in order to qualify for the student meals exemption.

¹ Section 18897 is further clarified by the California Department of Health Services in California Code of Regulations, title 17, sections 30700 – 30753.

FORMAL ISSUE PAPER

Issue Paper Number 10-008

At the meetings with interested parties, staff discussed the provisions of subdivision (a) of section 18897, which provides:

“Organized camp” means a site with program and facilities established for the primary purposes of providing an outdoor group living experience with social, spiritual, educational, or recreational objectives, for five days or more during one or more seasons of the year.

Staff interprets this provision to mean that a camp organization meeting the 5-day requirement for one camp session continues to meet the requirement even if it also conducts some shorter camp sessions. That is, staff would evaluate the camp year, rather than any one camp session. For example, a camp offers 5-day outdoor education camps for 6th graders and also provides 3-day outdoor education camps for 4th graders. Because the camp provides 5-day requirement with the 6th grade camp sessions, they are still considered an “organized camp” during the 3-day camp sessions.

The name of Regulation 1506, subdivision (h) “summer camps” was also discussed at the interested parties meetings. Many camps operate year-round offering sessions to campers whose schools are not based on a traditional calendar. Some offer camps for students during the school year, such as an outdoor science camp. Therefore, to update the subdivision’s name to reflect the operations of the various camps, staff proposes changing the name from “summer camps” to “organized camps.”

Requirements for Camp Classes. Regulation 1506, subdivision (h) currently provides three requirements that camps must meet in order for the camp to be considered a school or educational institution under the regulation. The camp must conduct: (1) regularly scheduled classes, (2) with required attendance, (3) in charge of qualified instructors.

“Regularly scheduled classes”

Staff believes that a camp session must promote an educational program, but recognizes that camps typically provide this education outside a traditional classroom setting. For example, ropes course activities teach problem-solving, communication, and leadership skills. Ecology, conservation, and geology can all be taught during a guided nature hike. In addition, classes in spiritual training or physical education, including but not limited to archery, marksmanship, swimming, boating, and arts and crafts, are also educational. Therefore, for purposes of this regulation, all of these types of classes will meet the first requirement of the Regulation 1506, subdivision (h) test if they are regularly scheduled.

Further, some camps regularly schedule a variety of classes and allow campers to select the activity they wish to participate in; these types of regularly scheduled classes will also satisfy the first requirement of the test. For example, a camp may allow a camper working on a merit badge for archery to choose to attend classes on range safety and archery practice, and allow a camper working on a hiking badge to attend classes in first aid and wilderness survival.

In general, most youth camps include activities that qualify as regularly scheduled classes. Conversely, camps or retreats where recreation and fellowship are the primary goals may not meet the “regularly scheduled classes” requirement. The focus of the camp session is rest and relaxation. For example, a “fishing retreat” or “summer concert weekend” where activities may be offered daily, but the focus of the event is recreation, does not conduct regularly scheduled classes.

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“Required attendance”

If attendance at classes is not required, a camp’s sales of meals are subject to tax. Again, activities at most youth camps meet this requirement as campers are required to attend scheduled activities that qualify as classes. Camps should document that attendance is required in their camp brochures, registration materials, website information, camper rule agreements, and other materials in order to substantiate that they qualify for the exemption.

Camps would not meet this requirement if attendance is optional. For example, a camp would not satisfy the “required attendance” requirement if it offered a variety of classes and recreational activities and required participants to attend a camp orientation on the first day, but otherwise allowed campers to choose to attend as many of the scheduled activities as they want, or choose not to attend any activities during the rest of the camp session.

“In charge of qualified instructors”

Staff believes that an instructor is “qualified” when the instructor has the formal training or sufficient experience to adequately prepare the instructor to teach his or her subject. Therefore, the level of training and experience needed to be a qualified instructor depends on the class being taught. For example, an instructor may need certification by the American Heart Association or Red Cross to be “qualified” to teach CPR and general first aid. A kayaking instructor may have years of experience in kayaking and water safety training.

Staff recognizes that organized camps interview, hire, and train staff to lead camp classes and activities. Often senior staff members guide and supervise less experienced instructors in order to ensure that the newer instructors are “qualified.” In general, if the camp determines that the instructor is qualified to lead a class, then the camp will have met this requirement of the regulation. However, camps should maintain records that show their instructors’ level of training and/or experience related to the area they teach to substantiate that they qualify for the exemption.

Additional revisions to subdivision (h). Staff recommends restructuring the subdivision to clearly show the requirements a camp must meet in order to qualify as a school or educational institution. Staff also recommends the first sentence in subdivision (h)(2) be revised to expressly state that a qualifying camp’s sales of student meals are not subject to tax. Finally, staff believes that the second to last sentence in Regulation 1506, subdivision (h) is awkwardly written. Therefore, staff recommends a few grammatical changes to the sentence to make it read more clearly without changing its meaning or effect.

Other issues. Although not part of the regulation revisions, two other issues regarding camp meals were discussed at the interested parties meetings.

Meals given away at camps

Camps are consumers of meals and nonfood products that are provided free of charge. If a camp prepares its own meals, it will have no tax liability in regard to food products that are consumed in providing free meals². If a camp purchases meals from a food service company, the camp would be the consumer of those meals the camp provides free of charge. Assuming the camp has purchased those meals for resale without payment of tax, the camp will need to report use tax on the cost of the meals that were given away. In addition, if a camp gives away nonfood items (such as carbonated beverages) that the camp purchased for resale without payment of tax, the camp must also pay use tax based on the cost of those items.

² Sales and purchases of food products are exempt from sales and use tax as provided in Regulation 1602, *Food Products*.

FORMAL ISSUE PAPER

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Meals sold to non-students

While sales of meals to campers that qualify as students are exempt under section 6363, sales of meals to non-students (e.g., instructors, staff, and guests) are taxable. With regard to sales of meals to employees, Regulation 1603, *Taxable Sales of Food Products*, provides in subdivision (k) that tax applies only if a specific charge is made for meals. A specific charge is made if the employee pays cash for meals consumed, the value of the meals is deducted from the employee's paycheck, the employee receives meals in lieu of cash to bring compensation up to legal minimum wage, or the employee has the option to receive cash for meals not consumed. An amount deducted for "room and board" from an employee's wages is considered a specific charge. In the absence of any of these conditions, there is no specific charge when a value is placed on the meals as a means for reporting the fair market value of employees' meals pursuant to state and federal laws or regulations. (See Exhibit 4 for the full provisions of Regulation 1603(k).)

VI. Alternative 1 - Staff Recommendation

Staff recommends the Board approve and authorize publication of proposed revisions to Regulation 1506, *Miscellaneous Service Enterprises*, as proposed in Exhibit 2.

A. Description of Alternative 1

Proposed revisions to Regulation 1506 include:

- Update name of subdivision to "Organized Camps,"
- Add requirement that camps be "organized camps" pursuant to Health and Safety Code section 18897,
- Add examples describing camps that meet and do not meet the requirements in subdivision (h),
- Restructure subdivision (h) to clearly show the requirements camps must meet to qualify as schools or educational institutions,
- Revise the first sentence in subdivision (h)(2) to expressly state that when a camp qualifies as a school or educational institution, its sales of student meals are not subject to tax, and
- Make a minor grammatical change to the second to last sentence in subdivision (h) to clarify the sentence without changing its meaning.

B. Pros of Alternative 1

- The restructured subdivision and addition of examples provide guidance to camps and staff.
- The added requirement that camps be "organized camps" pursuant to Health and Safety Code section 18897 focuses the provisions of the subdivision on the intended taxpayers.
- The updated name of subdivision reflects how camps currently operate.

FORMAL ISSUE PAPER

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C. Cons of Alternative 1

Although staff and all interested parties agree that adding the requirement that a camp be an “organized camp” appropriately limits the subdivision provisions to the intended taxpayers, and no one has disagreed with such interpretation, in the future, someone could raise the contention that this requirement does not encompass all qualifying camps.

D. Statutory or Regulatory Change for Alternative 1

No statutory change is required. However, staff’s recommendation does require adoption of regulation revisions.

E. Operational Impact of Alternative 1

Staff will notify taxpayers of the new regulation through an article in the Tax Information Bulletin (TIB). Staff also intends to prepare a publication which will provide camps with guidance on other subjects such as the need to hold a seller’s permit and report tax on their sales of meals to non-students and other sales of tangible personal property such as photos, videos, t-shirts, and other souvenir items.

F. Administrative Impact of Alternative 1**1. Cost Impact**

The workload associated with publishing the regulation, the TIB, and the publication is considered routine. Any corresponding cost would be absorbed within the Board’s existing budget.

2. Revenue Impact

None. See Revenue Estimate (Exhibit 1).

G. Taxpayer/Customer Impact of Alternative 1

Staff believes the proposed revisions better explain when a camp’s sales of meals qualify for exemption as sales of student meals.

H. Critical Time Frames of Alternative 1

Implementation will begin 30 days following approval of the regulation by the State Office of Administrative Law.

VII. Other Alternatives**A. Description of Alternative 2**

Do not revise Regulation 1506.

B. Pros of Alternative 2

The Board would avoid the workload involved with processing and publicizing the revised regulation.

C. Cons of Alternative 2

Not revising Regulation 1506 may result in a continued lack of clarity in this area and lead to inconsistency in taxpayer reporting and staff auditing.

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D. Statutory or Regulatory Change for Alternative 2

None.

E. Operational Impact of Alternative 2

Without clarifying language in the regulation, Board staff may not understand when a camp's sales of meals qualify as nontaxable sales to students.

F. Administrative Impact of Alternative 2

1. Cost Impact

None.

2. Revenue Impact

None.

G. Taxpayer/Customer Impact of Alternative 2

Without clarifying language in the regulation, some camps may not understand how tax applies to their sales of meals.

H. Critical Time Frames of Alternative 2

None.

Preparer/Reviewer Information

Prepared by: Tax Policy Division, Sales and Use Tax Department

Current as of: August 31, 2010

REVENUE ESTIMATESTATE OF CALIFORNIA
BOARD OF EQUALIZATION**Proposed regulatory changes regarding sales of meals at summer camps****Alternative 1 – Staff Recommendation**

Staff recommends the Board approve and authorize publication of proposed revisions to Regulation 1506, *Miscellaneous Service Enterprises*. Staff recommends amending subdivision (h) to add that, in order to qualify as a school or educational institution, a camp must also be an “organized camp” as defined in California Health and Safety Code section 18897. The proposed revisions also update the title of subdivision (h) from “Summer Camps” to “Organized Camps” and provide examples describing camps that meet and do not meet the subdivision (h) requirements for exemption.

Alternative 2 - Other Alternative Considered

Do not amend Regulation 1506.

Background, Methodology, and Assumptions**Alternative 1 – Staff Recommendation**

Staff believes the provisions of Regulation 1506 are intended for organized camps similar to those operated by the Young Life organization. That is, “camp” refers to camp organizations that run traditional camp programs, and not to resorts or other hotel and lodging establishments. Staff further believes that Regulation 1506 was not intended to apply to businesses that provide all inclusive outdoor recreation packages outside a traditional camp. Staff proposed amendment to Regulation 1506 clarifies that for purposes of the regulation, a camp must be an “organized camp” as defined in California Health and Safety Code section 18897 in order to qualify for the student meals exemption. There is nothing in the staff recommendation that would impact sales and use tax revenue.

Alternative 2 - Other Alternative – do not amend Regulation 1506

There is nothing in the alternative 2 that would impact sales and use tax revenue.

Revenue Estimate

Revenue Summary

Alternative 1 –staff recommendation should not impact revenue.

Alternative 2 – alternative 2 does not have a revenue impact.

Preparation

Mr. Bill Benson, Jr., Research and Statistics Section, Legislative and Research Division, prepared this revenue estimate. Mr. Robert Ingenito, Chief, Research and Statistics Section, Legislative and Research Division and Mr. Jeff McGuire, Tax Policy Manager, Sales and Use Tax Department, reviewed this revenue estimate. For additional information, please contact Mr. Benson at 916-445-0840.

Current as of August 23, 2010.

(NOTE: Only the relevant subdivision of the regulation is contained in this Exhibit. Other subdivisions are not being amended.)

Regulation 1506. Miscellaneous Service Enterprises.

(h) SUMMER ORGANIZED CAMPS.

(1) CAMPS IN GENERAL. The tax applies to gross receipts from the sale of meals or other tangible personal property at ~~summer~~ camps, whether operated by municipal or private corporations, or other parties.

(2) CAMPS QUALIFYING AS SCHOOLS OR EDUCATIONAL INSTITUTIONS. When a camp qualifies as a school or educational institution, ~~tax, with respect to meals, applies in the same manner as to schools and educational institutions~~ the camp's sales of student meals are not subject to tax. If a camp meets all of the following conditions, the camp will qualify as a school or educational facility for purposes of this regulation:

(A) The camp conducts regularly scheduled classes,

(B) Students are required to attend the classes,

(C) Qualified instructors are in charge of the classes, and

(D) The camp is an "organized camp" as defined in California Health and Safety Code section 18897.

~~To qualify as a school or educational institution for purposes of this regulation, the camp must conduct regularly scheduled classes, with required attendance, in charge of qualified instructors.~~

An example of a camp that qualifies as a school or education institution includes, but is not limited to the following: A camp offers a session where campers have a schedule of daily activities they are required to attend. These activities include team-building exercises, guided nature hikes, and wilderness survival techniques. The activities are led by staff that the camp determined to have sufficient training and experience to lead the activities.

An example of a camp that does not qualify as a school or educational institution includes, but is not limited to the following: A camp offers a session that includes activities that are regularly scheduled. Participants are required to attend a camp orientation on the first day, but during the rest of the camp they can attend as many of the scheduled activities as they want, or they can elect to attend no activities.

If a single charge is made for all of the privileges extended by the camp, a segregation must be made ~~and the tax returned~~ on that portion of the total charge representing taxable receipts from the sale of meals or other tangible personal property. In the absence of such a segregation, the taxable receipts from the sale of meals or other tangible personal property shall be determined by the board based on information available to it.

California Codes
Health and Safety Code

18897. (a) "Organized camp" means a site with program and facilities established for the primary purposes of providing an outdoor group living experience with social, spiritual, educational, or recreational objectives, for five days or more during one or more seasons of the year.

(b) The term "organized camp" does not include a motel, tourist camp, trailer park, resort, hunting camp, auto court, labor camp, penal or correctional camp and does not include a child care institution or home-finding agency.

(c) The term "organized camp" also does not include any charitable or recreational organization that complies with the rules and regulations for recreational trailer parks.

(k) EMPLOYEES' MEALS.

(1) **IN GENERAL.** Any employer or employee organization that is in the business of selling meals, e.g., a restaurant, hotel, club, or association, must include its receipts from the sales of meals to employees, along with its receipts from sales to other purchasers of meals, in the amount upon which it computes its sales tax liability. An employer or an employee organization selling meals only to employees becomes a retailer of meals and liable for sales tax upon its receipts from sales of meals if it sells meals to an average number of five or more employees during the calendar quarter.

(2) **SPECIFIC CHARGE.** The tax applies only if a specific charge is made to employees for the meals. Tax does not apply to cash paid an employee in lieu of meals. A specific charge is made for meals if:

- (A) Employee pays cash for meals consumed.
- (B) Value of meals is deducted from employee's wages.
- (C) Employee receives meals in lieu of cash to bring compensation up to legal minimum wage.
- (D) Employee has the option to receive cash for meals not consumed.

(3) **NO SPECIFIC CHARGE.** If an employer makes no specific charge for meals consumed by employees, the employer is the consumer of the food products and the non-food products, which are furnished to the employees as a part of the meals. In the absence of any of the conditions under (k)(2) a specific charge is not made if:

- (A) A value is assigned to meals as a means of reporting the fair market value of employees' meals pursuant to state and federal laws or regulations or union contracts.
- (B) Employees who do not consume available meals have no recourse on their employer for additional cash wages.
- (C) Meals are generally available to employees, but the duties of certain employees exclude them from receiving the meals and are paid cash in lieu thereof.

(4) **MEALS CREDITED TOWARD MINIMUM WAGE.** If an employee receives meals in lieu of cash to bring his or her compensation up to the legal minimum wage, the amount by which the minimum wage exceeds the amount otherwise paid to the employee is includable in the employer's taxable gross receipts up to the value of the meals credited toward the minimum wage.

For example, if the minimum rate for an eight-hour day is \$46.00, and the employee received \$43.90 in cash, and a lunch is received which is credited toward the minimum wage in the maximum allowable amount of \$2.10, the employer has received gross receipts in the amount of \$2.10 for the lunch.

(5) **TAX REIMBURSEMENT.** If a separately stated amount for tax reimbursement is not added to the price of meals sold to employees for which a specific charge is made, the specific charge will be regarded as being a tax-included charge for the meals.



CALIFORNIA COLLABORATION FOR YOUTH

July 19, 2010

Ms. Lynn Whitaker
Tax Policy Division (MIC: 92)
Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-0092

Dear Lynn,

On behalf of the California State Alliance of YMCAs and the California Collaboration for Youth, I would like to take this opportunity to thank you for giving our organizations the forum to comment on the proposed revisions to Regulation 1506 pertaining to sales of meals at summer camps. The process of having meetings with the interested parties has been extremely helpful and informative. We also believe that staff did an extraordinary job of crafting the discussion paper and the revisions to Regulation 1506.

It is also my pleasure to inform you that **our organizations fully support the staff recommendations** for these proposed revisions as we discussed them in the meeting held on July 7, 2010. For your records, I will go over our comments during that meeting.

- 1) We support your decision to change the subdivision title from *Summer Camps* to *Organized Camps*, and to change other references in the document from summer camps to organized camps since many camps provide programs throughout the year. (Page 1)
- 2) Under section V. What is a camp? We recommend that you use the term *camp organization* instead of *facilities*, and that the reference to conference centers be removed to reflect the fact that many of our camps are called conference centers. (Page 2)

Page 2 – Camp Meal Tax Exemption

- 3) In this same section we suggest that the term *camp packages* be replaced with *outdoor recreation packages* to distinguish a business from a traditional organized camp. (Page 2)
- 4) In the discussion of traditional camps accredited by the American Camp Association (ACA), we would suggest including camps which are *affiliated* with ACA *and/or who are approved members of the California Christian Conference Association*. (Page 2)
- 5) In the final paragraph of the camp definition, we suggest changing the term *camp facility* to *camp program or organization*. (Page 2)
- 6) Under “*regularly scheduled classes*” (paragraph 3) in the discussion of *camps or retreats where recreation and fellowship are the primary goals*, we suggest changing the wording from *generally do not*, to *may not* since we believe that some camps with these goals may meet the standards of the meal tax exemption. (Page 3)
- 7) I believe that staff indicated that the first paragraph on page 4 was going to be deleted. We concur with that decision since camp sessions, adult retreats and family camps may very well qualify for the exemption as well. (Page 4)

Again, thank you for your thoughtful work on these documents. I believe you have brought great clarity to the standards to which camps must adhere in order to qualify for their meal tax exemption.

Sincerely,

Catherine Barankin

Catherine Barankin
Director of Public Policy
CA Alliance of YMCAs
2220 Capitol Avenue
Sacramento, CA 95816
(916) 447-7341



July 22, 2010

Ms. Lynn Whitaker
Tax Policy Division (MIC: 92)
Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-0092

Dear Lynn,

On behalf of the Christian camps in California that are approved members of the National Christian Camp and Conference Association (CCCA), I want to thank you for giving us the opportunity and forum to comment on the proposed revisions to Regulation 1506 pertaining to sales of meals at summer camps.

Our processing with you and your staff has been a very helpful and positive experience—thank you for your wisdom in structuring the “interested party” sessions. We thoroughly enjoyed the opportunity to host and interact with you and Cecilia during your recent field visit to several of our Mount Hermon camping programs. And as I expressed at our last meeting, I believe you and your staff did an extraordinary job of crafting the discussion paper and the revisions to Regulation 1506.

As the representative for the Christian camps in California who are members of CCCA, I am writing to indicate my support for the staff recommendations for the proposed revisions as we discussed them in the meeting held on July 7, 2010. Pursuant to your request, I will summarize the recommendations as discussed during that meeting.

- 8) I support your decision to change the subdivision title from *Summer Camps* to *Organized Camps*, and to change other references in the document from summer camps to organized camps since many camps provide year round programs. (Page 1)
- 9) Under section V: *What is a “camp”?* I join Cathy Barankin in recommending in the second sentence that you use the term *camp organization* instead of the word *facilities*. Further, in

that same sentence, I recommend that the reference to *conference centers* be removed to reflect the fact that many of our camps are called conference centers. (Page 2)

- 10) In this same section—in the third sentence—I suggest that the words *camp packages* be replaced with the words *outdoor recreation packages* to distinguish a business from a traditional organized camp. (Page 2)
- 11) In the second sentence of paragraph two under section V, which references camps accredited by the American Camp Association (ACA), I would suggest changing the wording of this sentence to read: “*Camps affiliated with ACA and/or are approved members of the Christian Camp and Conference Association (CCCA) also meet this definition.* Note: Cathy Barankin’s letter accidentally labels CCCA as the California Christian Conference Association which is incorrect—the correct name is Christian Camp and Conference Association. (Page 2)
- 12) In the last paragraph on page 2 under section V, I suggest changing the words *camp facility* to *camp program or organization* in the second sentence. (Page 2)
- 13) Under “*Regularly scheduled classes*” (paragraph 3) in the discussion of *camps or retreats where recreation and fellowship are the primary goals*, I suggest changing the wording from *generally do not*, to *may not* since I believe that some camps with these goals may still meet the criteria for the meal tax exemption. (Page 3)
- 14) I believe that staff indicated that the first sentence on page 4 was going to be deleted. As you know I heartily concur with that decision since adult retreats and family camps may very well qualify for the meal tax exemption. (Page 4)

Again, thank you for your thoughtful work on these documents. I believe you have brought great clarity to the standards to which camps must adhere in order to qualify for this exemption. Thanks for a job well done!

Sincerely,

Roger E. Williams

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July 21, 2010

Ms. Lynn Whitaker
Tax Policy Division (MIC: 92)
Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-0092

Dear Lynn,

On behalf of the American Camp Association, Southern California/Hawaii we would like to take this opportunity to thank you for giving our organization the forum to comment on the proposed revisions to Regulation 1506 pertaining to sales of meals at summer camps. The process of having meetings with the interested parties has been extremely helpful and informative. We also believe that staff did an extraordinary job of crafting the discussion paper and the revisions to Regulation 1506.

It is also our pleasure to inform you that **ACA Southern California/Hawaii fully support the staff recommendations** for these proposed revisions as discussed at the meeting held on July 7, 2010. For your records, these are our comments recorded during that meeting.

- 1) We support your decision to change the subdivision title from *Summer Camps* to *Organized Camps*, and to change other references in the document from summer camps to organized camps since many camps provide programs throughout the year. (Page 1)
- 2) Under section V. What is a camp? We recommend that you use the term *camp organization* instead of *facilities*, and that the reference to conference centers be removed to reflect the fact that many of our camps are called conference centers. (Page 2)



Page 2 – Camp Meal Tax Exemption

- 3) In this same section we suggest that the term *camp packages* be replaced with *outdoor recreation packages* *or outfitter packages* to distinguish a business from a traditional organized camp. (Page 2)
- 4) In the discussion of traditional camps accredited by the American Camp Association (ACA), we would suggest including camps which are *affiliated* with ACA *and/or who are approved members of the California Christian Conference Association*. (Page 2)
- 5) In the final paragraph of the camp definition, we suggest changing the term *camp facility* to *camp program or organization*. (Page 2)
- 6) Under “*regularly scheduled classes*” (paragraph 3) in the discussion of *camps or retreats where recreation and fellowship are the primary goals*, we suggest changing the wording from *generally do not*, to *may not* since we believe that some camps with these goals may meet the standards of the meal tax exemption. (Page 3)
- 7) We believe that staff indicated that the first paragraph on page 4 was going to be deleted. We concur with that decision since camp sessions, adult retreats and family camps may very well qualify for the exemption as well. (Page 4)

Again, we thank you for your thoughtful work on these documents. We believe you have brought great clarity to the standards to which camps must adhere in order to qualify for their meal tax exemption.

Sincerely,



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